Picture of degraded land (Foreground) and community "Spirit forest" (background) in a Phnong Village.

BACKGROUND

Cambodia's economy has grown steadily since 1999. However, this growth is narrowly based on two main sectors—garments and tourism. With the end of the quota system, Cambodia's garment industry must become much more competitive. Cambodia's limited infrastructure and poor business environment also hampers economic diversification and growth. In particular, foreign and international investors face weak rule of law, limited transparency and the scourge of corruption.

Cambodia is a resource-rich country and forests are its most valuable resource. However, a recent study estimates that forest cover has declined from 70 percent to 30 percent of total land area in the last 30 years. Approximately 90 percent of the timber is cut illegally. The government has attempted to regulate forest exploitation as well as trade in wildlife with limited success.

Over the past three years, USAID/Cambodia has provided approximately $3.8 million to support activities related to economic growth and environmental management. Specific USAID activities include support for trade, business associations and small and medium sized enterprises. A Development Credit Authority Guarantee is expected to help micro, small and medium enterprises boost growth. In addition, USAID is addressing concerns related to competitiveness and labor-management relations in the garment sector. Finally, USAID works with several partners to protect and manage Cambodia's natural resources while also promoting "good governance".

PARTNERS

The Asia Foundation (TAF): Programs include analysis and outreach related to Cambodia's accession to the World Trade Organization (WTO).

In addition, a TAF sub-grant to Small-Medium Enterprise/ Cambodia (SME/C) provides support to Cambodia's nascent business development sector, in part by working with local business development associations.

Community Forestry International (CFI): CFI works directly with local communities while also providing sub-grants to NGOs to promote more effective management of community forestry resources.

WildAid: WildAid programs support community agricultural development at a local level as an alternative livelihood choice to communities previously dependent upon exploiting natural resources. In partnership with J.W Thompson, Wild Aid battles illegal trafficking of forestry resources as well as the illegal wildlife trade.

Global Witness Trust (GWT): Global Witness strongly advocates for effective policy and implementation to reduce deforestation and stop the illegal logging trade.

Nathan Associates: A major Nathan Associates survey, initiated in February 2005, will results in a pragmatic, action-oriented assessment on how to make Cambodia's garment industry more competitive.

RESULTS TO DATE

USAID-funded programs have achieved a number of important results:

- Established 19 Business Development Associations with over 400 members (TAF in cooperation with Small-Medium Enterprise/Cambodia) .
- Opened 22 Community Information Center, providing access to economic and other information to Cambodians living outside of Phnom Penh (TAF).
- Provided alternative livelihood opportunities for over 180 families that formerly depended on destructive and unsustainable forestry practices in order to survive (WildAid).
- Launched $5 million loan guarantee program in cooperation with private Cambodian bank, extending credit to a broader range of small and medium sized businesses in Cambodia (Canadia Bank/Development Credit Authority).
- Focused national and international attention on the importance of enforcing forestry and environmental laws in Cambodia (Global Witness)
- Rescued more than 17,000 wild animals (WildAid).
- Convinced more than 90 percent of Phnom Penh's restaurants to stop serving wildlife on their menus (WildAid).
- Through Community Forestry International, supported 15 sub-grants to the Community Forestry Alliance for Cambodia, benefiting more than 9,000 families living in 83 villages.

ECONOMIC GROWTH & ENVIRONMENT